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graph TD
    100[RECEIVE FINANCIAL (AND OTHER) INFORMATION ABOUT A BUSINESS ENTITY FOR ONE OR MORE SELECTED TIME PERIODS] --> 200[CALCULATE SET OF FINANCIAL VALUES USING RECEIVED INFORMATION FOR EACH SELECTED TIME PERIOD]
    200 --> 300[COMPARE ONE OR MORE FINANCIAL VALUES WITH ONE OR MORE FINANCIAL VALUES ASSOCIATED WITH OTHER BUSINESS ENTITIES WITHIN A SELECTED INDUSTRY]
    300 --> 400[ASSIGN SCORE TO ONE OR MORE FINANCIAL VALUES]
    400 --> 500[COMPARE ASSIGNED SCORES FOR MULTIPLE TIME PERIODS WITH EACH OTHER TO ASSESS CHANGES IN FINANCIAL PERFORMANCE OVER TIME]
    500 --> 600[SELECT ONE OR MORE PORTIONS OF STORED TEXT CORRESPONDING TO ONE OR MORE COMBINATIONS OF ASSIGNED SCORES]
    600 --> 700[BUILD DOCUMENT FROM ONE OR MORE PORTIONS OF SELECTED TEXT TO PRODUCE NARRATIVE FINANCIAL ANALYSIS REPORT]
    700 --> 800[TRANSMIT NARRATIVE FINANCIAL ANALYSIS REPORT TO USER]
  
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Fig. 2

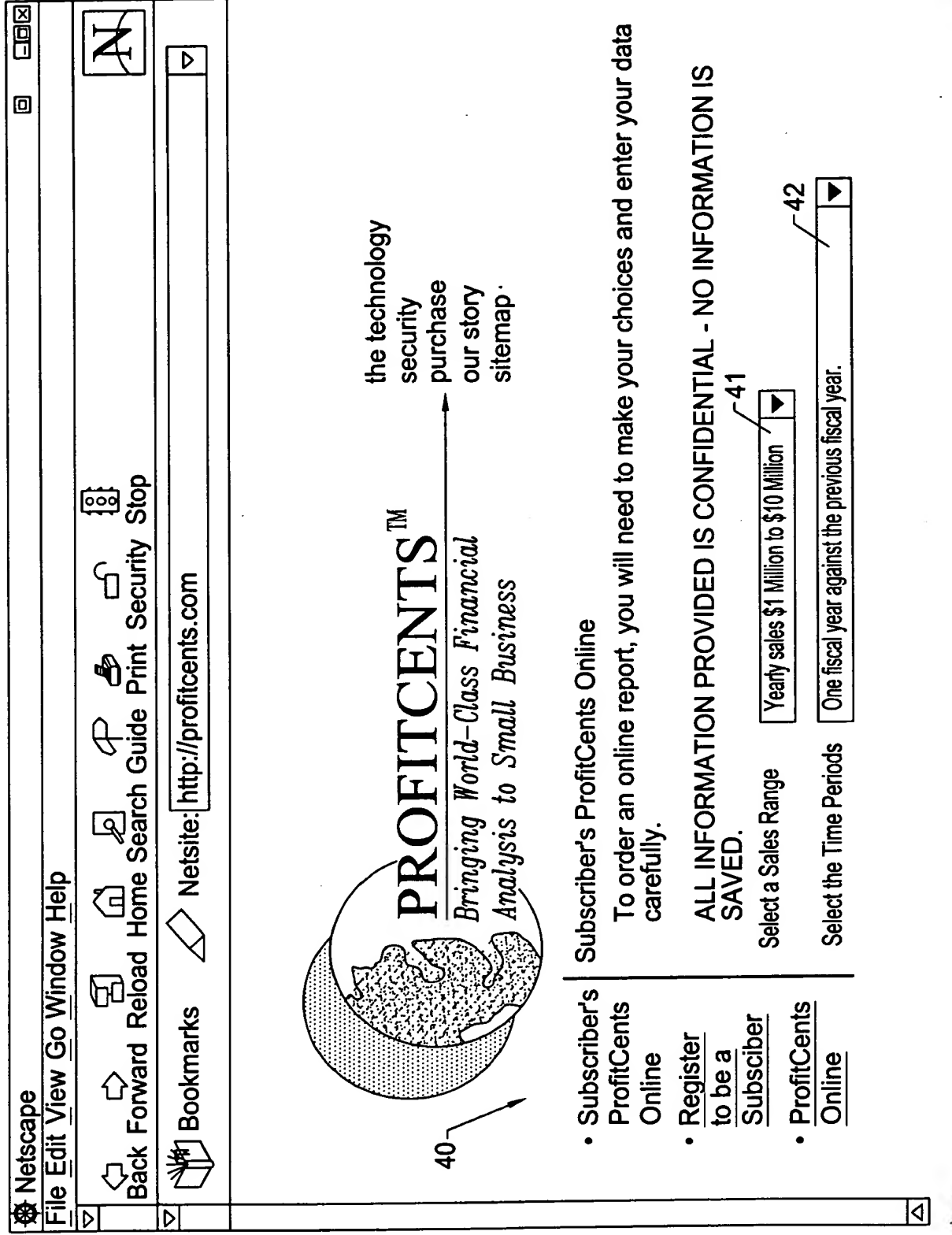


FIG.3A.

TO FIG. 3B.

FROM FIG. 3A.

Enter Your Financial Data (as of the end of the period)	
Current Period	Previous Period
43a Sales or Revenue \$ 1,000,000	44a \$ 800,000
43b Cost of Sales (Cost of Goods Sold) \$ 500,000	44b \$ 500,000
43c Net Profit Before Taxes \$ 55,000	44c \$ 65,000
43d Cash \$ 1,000	44d \$ 1,000
43e Accounts Receivable \$ 10,000	44e \$ 40,000
43f Current Assets \$ 35,000	44f \$ 60,000
43g Gross Fixed Assets \$ 100,000	44g \$ 50,000
43h Current Liabilities \$ 25,000	44h \$ 35,000
43i Total Liabilities (Total Debt) \$ 75,000	44i \$ 89,000
43j Total Employees + Full time Contractors 100	44j 90

Select Your Industry, Click here 45

Company Name for the report:

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Please answer the following questions very carefully

What accounting method does your company use?

47a ☒ Accrual basis ☐ Cash basis ☐ I don't know 47

After you send a customer a bill, how long does it generally take to get paid?

47b ☐ 0-10 days ☒ 11-40 days ☐ Over 40 days

FIG.3B.

TO FIG. 3C.

FROM FIG. 3B.

After you receive a bill from a vendor/supplier, how long does it generally take you to pay it?

- ☐ 0-10 days ☒ 11-40 days ☐ Over 40 days

47c

How long have you been in business?

- ☒ 0-2 years ☐ 3-5 years ☐ 6-10 years ☐ Over 10 years

47d

Which would best describe the accuracy of your financial statements?

- ☐ Very accurate ☒ Pretty accurate ☐ Not so accurate ☐ I don't know

47e

Which factor below, if managed properly, BEST levers profits in your business?

- ☐ People ☐ Assets ☒ Debt ☐ Information & Technology ☐ None of the Above

47f

48

Process My Report

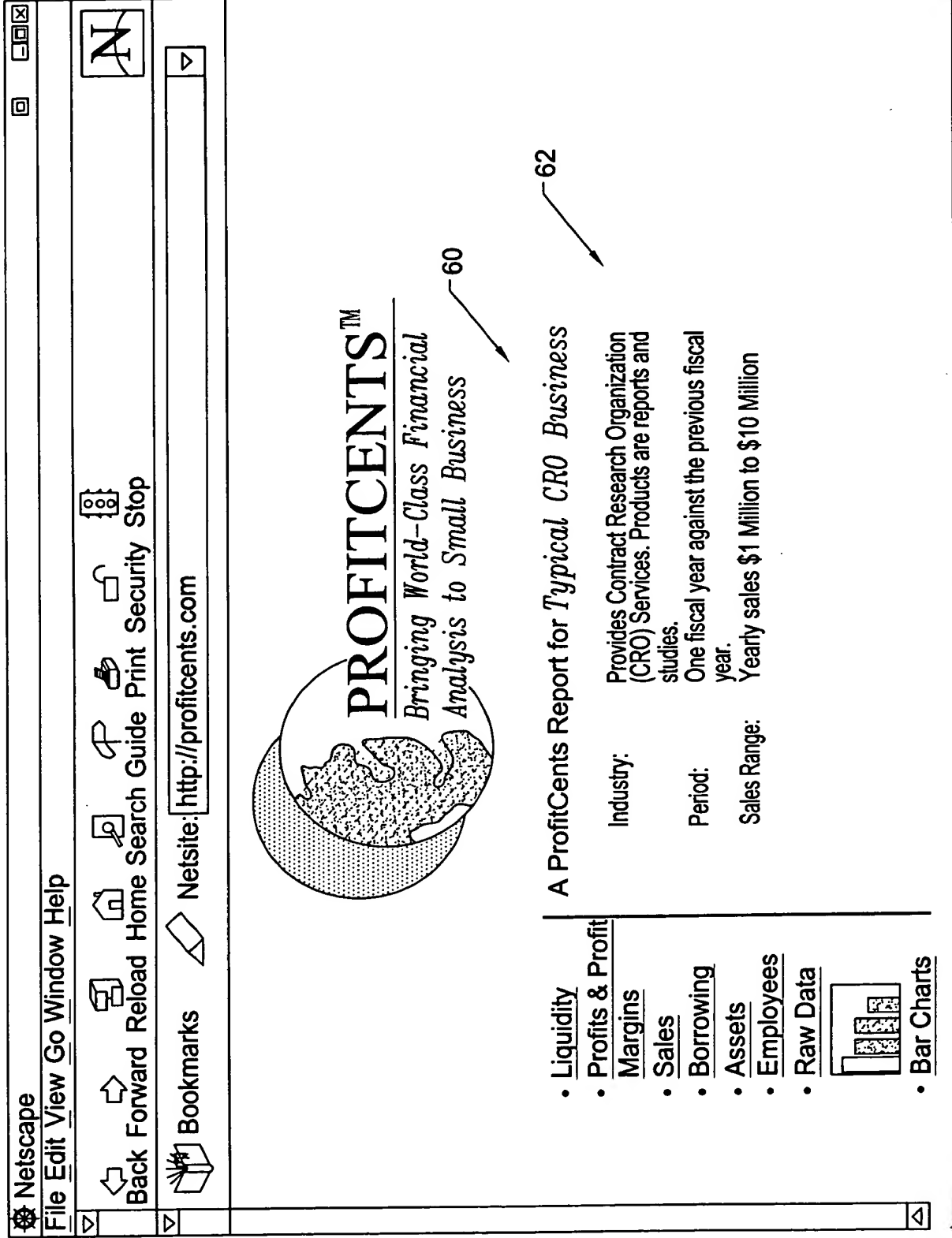
Reset

[HOME](#) | [THE TECHNOLOGY](#) | [SECURITY](#) | [PURCHASE](#) | [OUR STORY](#) | [SITEMAP](#)

Document: Done

FIG.3C.

30



TO FIG. 4B.

FIG. 4A.

FROM FIG. 4A.

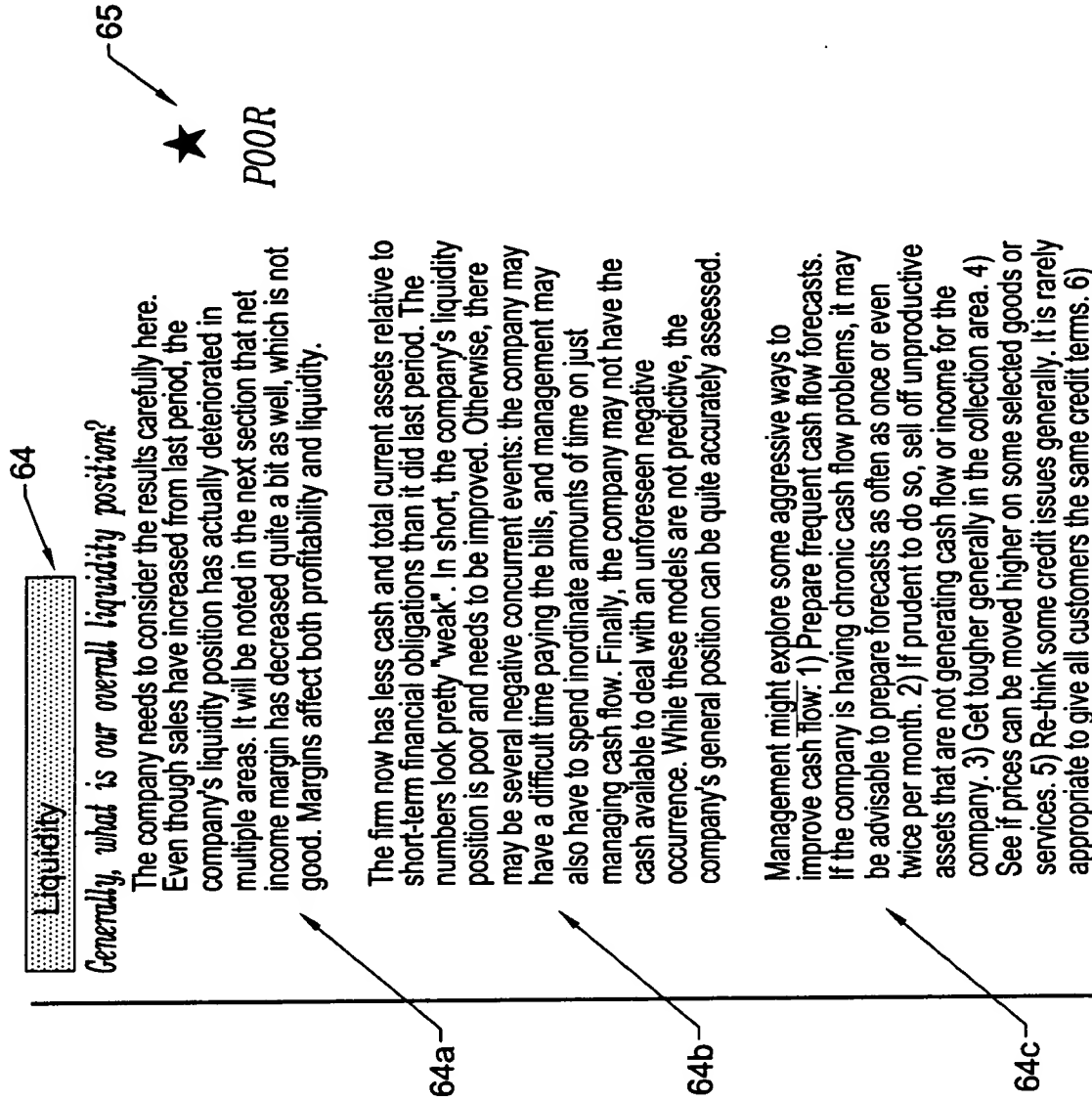


FIG.4B.

TO FIG. 4C.

FROM FIG. 4B.

Use COD for marginal customers. 7) "Term out" some short-term debt by refinancing. Basically, management can move some short-term debt to long-term debt.

Profits & Profit Margins

Are we profitable?

This company performed very well in the gross profit area. Not only did managers increase sales and gross profits, but they also improved gross margins. This shows us that the company is effectively managing sales increases. Increasing the gross margin is a key component to long-term success: it allows the company to use gross profits as a form of leverage.

However, on the net profit side, results are less positive. Despite earning higher gross profits, both net profitability and net profit margins fell from last period. How did the company do this? Basically, managers spent significantly more money on operating costs this period. This dynamic could eventually lead to trouble if continued over the long run.

This is all the more true because net profit margins are now low even when compared to other similar companies. Specifically, this company is not generating enough net profitability for its sales level.

★
POOR

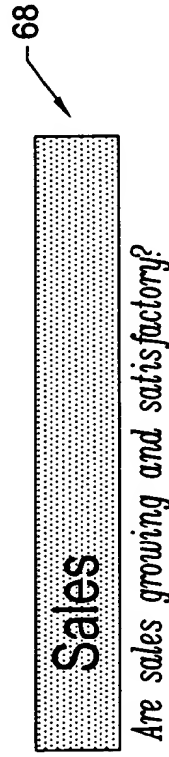
FIG. 4C.

TO FIG. 4D.

FROM FIG. 4C.

From these results, it would seem that managers should go through operating costs (G&A) costs and isolate the costs that are out of line. It could be that the company is making strategic investments in some costs. Otherwise, managers need to find out which costs might need to be adjusted. An important question to consider is the point in sales at which the company is most profitable. In other words, what is the optimal relevant range-sales and production level? Many businesses require a certain level of sales to earn profits. What is this company's? It is possible that the company has reached another operating range--the point at which managers need to begin growing sales significantly.

Finally, management must make sure that consulting revenue is diversified. It is easy to become dependent upon single customer relationships or single lines of services. It's interesting to note that larger and successful companies are now offering more and different types of services than they did five years ago.

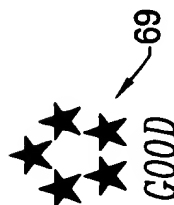


TO FIG. 4E.

FIG. 4D.

FROM FIG. 4D.

We're seeing nice results in this area. Sales have increased substantially. It looks like the company has also bought a substantial amount of assets, and it looks like additional people have been hired. The company is also generating more revenue per employee this period, a long run key performance indicator (KPI) in this particular industry. However, we won't draw too many conclusions in this section because the real goal is increasing profitability over time, as discussed in the profitability area. Sales increases, in and of themselves, do not tell us that much.

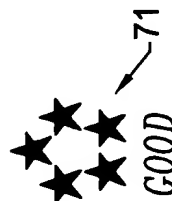


Borrowing

Are we borrowing profitably?

Both net profitability and total debt fell from last period. The drop in profitability had already been discussed in the "Profitability" section of the report. The reason that these results are considered rather good is that total debt fell faster than profitability. If resources such as debt can be reduced over time, profitability will generally increase in the long run. This is because resources cost money so the less of them being carried by the company, the more profitability that can be built into the company. It is generally most beneficial to maintain the leanest resource base possible to generate the level of profitability desired.

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TO FIG. 4F.

FIG.4E.

FROM FIG. 4E.

Assets ⁷²

Are we using our fixed assets effectively?

Because fixed assets do not appear on the profit/loss statement, managers often forget to consider them in terms of how they affect profitability. Nevertheless, the profit/loss statement is a symptom not a cause. Buying fixed assets can actually help a company earn higher profits if it is done in the correct manner.

However, in this case it looks like the assets bought may not be performing optimally, because buying them has not increased profitability. Indeed, profitability is down from last period. There is no logic in purchasing additional assets if they will not help generate additional profitability. This is especially true given that the profit margins and overall liquidity are down, too. Although it is possible that the assets recently purchased need some time to start operating at their maximum levels, managers may want to be particularly careful about making purchases at this time.

★
RISKY ⁷³

Employees ⁷⁴

Are we hiring effectively?

TO FIG. 4G.

FIG. 4F.

FROM FIG. 4F.

The results in this area make us a little uneasy. This is because the company has hired more people, but net profitability has fallen from last period. Ideally, we want to see hiring result in higher profitability. During this period, this did not happen. In fact, the reverse occurred.

Unless it is the stated strategy to invest in more employees for the long run, managers may want to think hard about future hiring decisions until they can move net profitability higher. This is especially true because the company added a significant amount of fixed assets and needs to give those assets time to start producing more profitability as well.

However, let's end this section and the report by revealing some important notes. While it is true that the methods used here are sound and based upon existing financial analysis, financial analysis is limited because it looks backward not forward. This is a real limitation, which should be noted by the reader. For example, good hiring decisions should be based upon an analysis of future conditions, not what has happened already.

"I criticize by creation—not by finding fault." - Cicero

★
RISKY
75

FIG.4G.

TO FIG. 4H.

FROM FIG. 4G.

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Raw Data

	Current Period	Previous Period
Sales	\$1,000,000	\$800,000
Cost of Sales	\$500,000	\$500,000
Gross Profit	\$500,000	\$300,000
Gross Profit Margin	50.0%	37.5%
Net Profit Before Taxes	\$55,000	\$65,000
Net Profit Margin	5.5%	8.1%
Cash	\$1,000	\$1,000
Accounts Receivable	\$10,000	\$40,000
Current Assets	\$35,000	\$60,000
Gross Fixed Assets	\$100,000	\$50,000
Current Liabilities	\$25,000	\$35,000
Total Liabilities (Total Debt)	\$75,000	\$89,000
Employees	100	90

TO FIG. 4I.

FIG.4H.

FROM FIG. 4H.

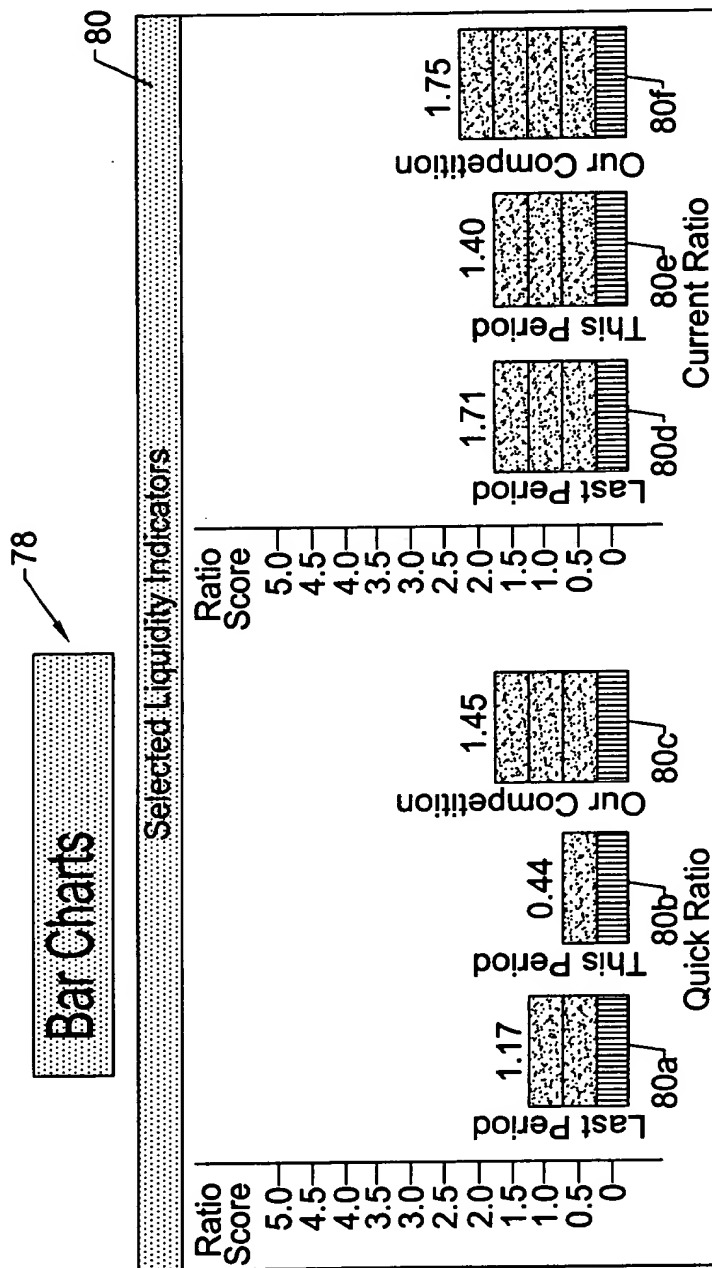


FIG. 4I.

TO FIG. 4J.

FROM FIG. 4I.

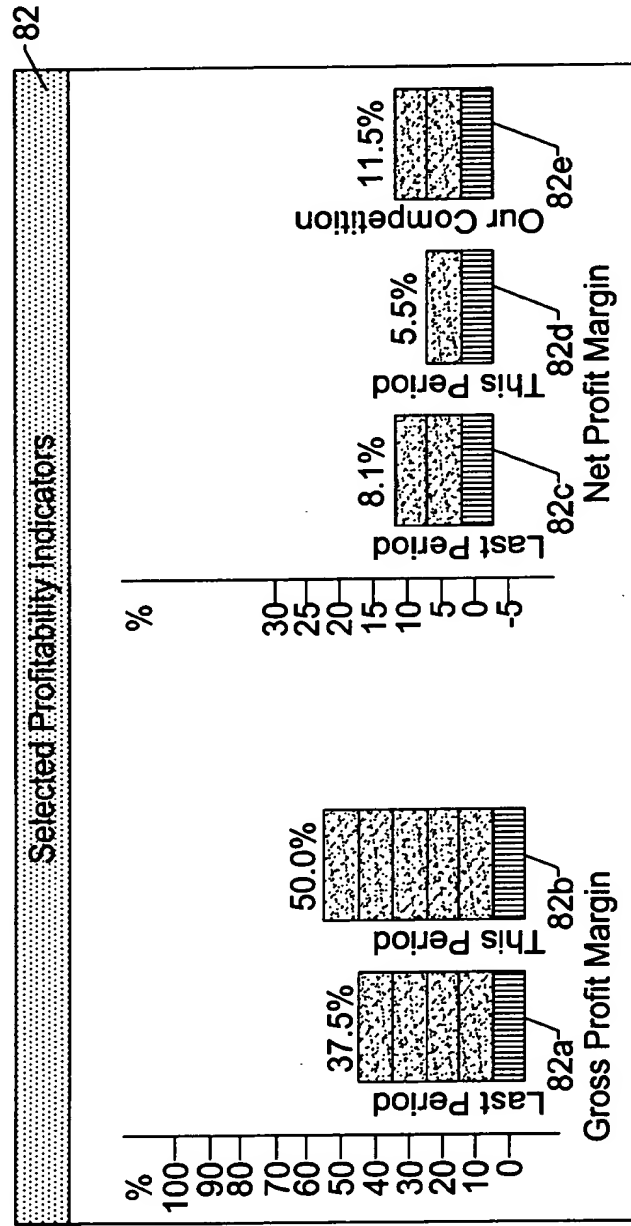


FIG.4J.

TO FIG. 4K.

FROM FIG. 4J.

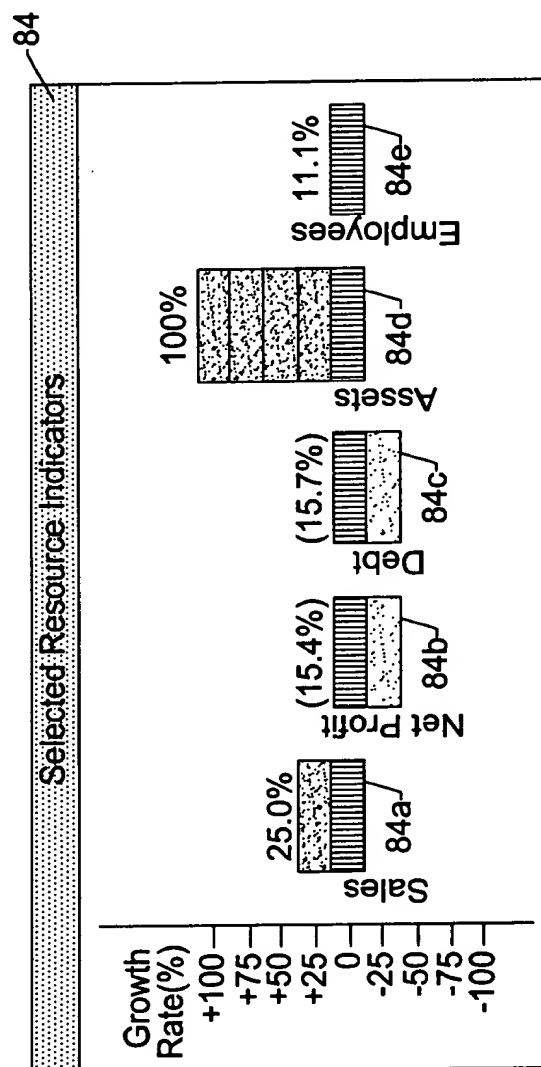


FIG.4K.